

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 DRC-01 EB-11 COME-00 INT-08 SCEM-02

OMB-01 TRSE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 FPC-01 SIL-01 LAB-06 NEA-10

SCI-06 AGR-20 /203 W

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R 071929Z DEC 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9163

AMEMBASSY LONDON

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CINCUSAFE RAMSTEIN

CINCUSAREUR HEIDELBERG

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E.O. 11652: GDS

TAGS: ENGR, GW

SUBJECT: GERMAN GOVERNMENT CATCHES ITS BREATH
ON THE ENERGY CRISIS

REF: BONN 17307, BONN 17232, BONN 17038

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1. SUMMARY. AFTER A FRENETIC TWO WEEKS OF PUBLIC

PRONOUNCEMENTS AND EMERGENCY MEASURES TO DEAL WITH THE ENERGY CRISIS, THE PACE SLACKENED LAST WEEK AS THE GOVERNMENT TOOK A BREATHING SPELL IN ORDER TO ALLOW THE MEASURES IT HAS ALREADY TAKEN TIME TO HAVE AN EFFECT. THE OIL CRISIS CONTINUED HOWEVER WITH A SIGNIFICANT PINCH BEING FELT IN THE HEAVY HEATING FUEL SECTOR. DESPITE CHANCELLOR BRANDT'S PLEA FOR MODERATION IN WAGE DEMANDS, THE UNIONS GIVE NO SIGN OF LESSENING THEIR DETERMINATION TO PRESS FOR SIGNIFICANT WAGE INCREASES. END SUMMARY.

2. ALTHOUGH THE ENERGY CRISIS REMAINED A TOPIC OF MAJOR CONCERN THROUGHOUT THE FRG, THE GOVERNMENT EASED UP DURING THIS PAST WEEK IN COMPARISON WITH THE FLURRY OF ACTIVITY DURING THE PREVIOUS TWO WEEKS. ACCORDING TO DEPUTY GOVERNMENT SPOKESMAN GRUENEWALD, ECONOMICS MINISTER FRIDERICH'S STATUS REPORT TO THE FEDERAL CABINET OF DECEMBER 5 DID NOT DISCLOSE ANY NEW DEVELOPMENTS SINCE LAST WEEK ON THE OVERALL OIL SUPPLY SITUATION. GRUENEWALD REFERRED TO THE STATEMENT OF FRIDERICH'S BEFORE THE BUNDESTAG LAST WEEK AS STILL BEING VALID. IN AN EFFORT TO EASE THE BURDEN OF RISING OIL PRICES ON THE POOR, THE GOVERNMENT DID INTRODUCE A MEASURE IN THE BUNDESTAG WHICH WOULD PROVIDE THEM WITH HEATING OIL SUBSIDIES. OTHER THAN THIS ONE MEASURE, HOWEVER, THE GOVERNMENT IS ALLOWING A BREATHING SPELL IN ORDER TO JUDGE THE EFFICACY OF ITS EARLIER MEASURES.

3. ALTHOUGH BOTH CHANCELLOR BRANDT AND ECONOMICS MINISTER FRIDERICH'S LOWERED THE DECIBLE COUNT OF THEIR PUBLIC PRONOUNCEMENTS ON THE ENERGY CRISIS, BOTH CONTINUED TO ADDRESS THE TOPIC IN PUBLIC FORUM. IN A DECLARATION IN PARIS, BRANDT STATED THAT EUROPE SHOULD STICK TOGETHER AND HELP EACH OTHER FACE THE OIL CRISIS. HE ALSO VISITED THE BADISCHE AMILIN AND SODAFABRICK (CHEMICALS) AND SAARBERGWERKE (COAL COMPANY) AND ASSURED LARGE AUDIENCES OF LABORERS THAT THERE WAS NO REASON FOR THEM TO FEAR FOR THEIR WORKING PLACES. HE EXPRESSED HIS "FIRM CONVICTION" LIMITED OFFICIAL USE

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THAT THE DIFFICULTIES WILL BE "MASTERED" AND ADDED THAT FOR THE LONG RANGE ENERGY SUPPLY THE FRG WILL BUILD TEN NEW POWER PLANTS ON COAL BASIS "FASTER THAN ORIGINALLY PLANNED". WITH AN OBVIOUS HINT TO THE OIL COMPANIES, BRANDT SAID THAT NOT EVERY PRICE WHICH WAS DEMANDED DURING RECENT WEEKS FOR HEATING OIL CAN BE JUSTIFIED BY THE RECENT PRICE INCREASES IN THE OIL PRODUCING COUNTRIES.

4. IN AN INTERVIEW WITH SUEODEUTSCHE ZEITUNG
OF DECEMBER 6, ECONOMICS MINISTER FRIOERICHs REITERATED
HIS REJECTION OF FIXED OIL PRODUCT PRICES, ESPECIALLY
OF LIGHT HEATING OIL. HE CITED PRICES PER LITER EX
FACTORY ON NOVEMBER 26 AS FOLLOWS: FOR PRODUCTS
FROM INTERNATIONAL COMPANIES BETWEEN 27.5 AND 33.6
PFENNIGS, FOR PRODUCTS FROM GERMAN COMPANIES BETWEEN
32 AND 34.7 PFENNIGS, AND FOR IMPORTED PRODUCTS
BETWEEN 54.2 AND 59.2 PFENNIGS. FIXING THE PRICE
AT A LOW LEVEL WOULD PREVENT THE INFLOW OF IMPORTED
PRODUCTS WHILE FIXING PRICES AT THE HIGHER LEVEL
WOULD MAKE THE OVERALL PRICE LEVEL RISE TOO HIGH.
WITH REGARD TO SUNDAY DRIVING BANS IN 1974, FRIDERICHs

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SAID THAT SUCH RESTRICTIONS WOULD BE "UNAVOIDABLE" IF THE 15 PERCENT SHORTFALL OF OIL DELIVERIES CONTINUES IN JANUARY. HE SAID DEFINITELY, HOWEVER, THAT JANUARY 1 AND JANUARY 6 (LOCAL HOLIDAY) WOULD BE EXCEPTED. HE SAID THE CONTINUED APPLICATION OF SPEED LIMITS WILL DEPEND ON THE OUTCOME OF AN INVENTORY OF OIL AVAILABILITIES AND ON THE COMBINED EVALUATION OF LIMITED OFFICIAL USE

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THE PRESENT RESTRICTIONS BY THE FEDERAL AND LAENDER GOVERNMENTS. WITH REGARD TO THE EFFECTS OF THE OIL SHORTAGE ON GNP AND THE LABOR MARKET, FRIDERICHS DISPLAYED RESERVATION AND CAUTION. IF ONE ASSUMES A ZERO GROWTH, I.E., STAGNATION AT A HIGH LEVEL, HE FORESEES REPERCUSSIONS ON THE LABOR MARKET AND CERTAIN SHIFTS IN PRODUCTION WHICH SHOULD NEITHER BE MINIMIZED NOR DRAMATIZED. EXCEPT FOR SOME SPECIFIC MEASURES, FRIDERICHS SEES NO REASON FOR A BASIC CHANGE OF THE PRESENT STABILIZATION PROGRAM OF THE FEDERAL GOVERNMENT, HOWEVER. IF PRODUCTION OF GOODS SHOULD DECLINE, THEN THIS SHOULD NOT BE FACED BY EXPANDING DEMAND. FRIDERICHS EXPECTS A HARDENING OF THE FIGHT FOR THE DISTRIBUTION OF THE GNP BUT NOT A GENERAL END TO GROWTH.

5. MEANWHILE THE SUPPLY PINCH CONTINUES. THE CRITICAL SECTOR NOW IS HEAVY HEATING OIL, A SECTOR IN WHICH SHORTAGES WERE ORIGINALLY BELIEVED TO BE PERCEIVED LAST. OIL COMPANY OFFICIALS TOLD US THAT THE PRESSURE IS ON BOTH THE DEMAND AND SUPPLY SIDES. RECONVERSION TO COAL BURNERS IS PROVING MUCH MORE DIFFICULT AND TIME CONSUMING THAN FIRST THOUGHT. IN ADDITION TO THE OVERALL REDUCTION IN CRUDE SUPPLIES, THE LOSS OF THE HEAVIER ARABIAN CRUDE MEANS A REDUCTION IN THE AMOUNT OF HEAVY HEATING OIL OBTAINABLE PER BARREL OF CRUDE.

6. THE GOVERNMENT CONTINUES TO RESIST PRESSURE TO ESTABLISH PRIORITIES AMONG USERS AND INSTEAD IT CONTINUES ITS JAWBONING EFFORTS. ON DECEMBER 4, STATE SECRETARY ROHWEDDER (ECONOMICS) CONFERRED WITH

REPRESENTATIVES OF THE PETROLEUM INDUSTRY, THE
FEDERAL ASSOCIATION OF GERMAN INDUSTRY, IRON AND
STEEL INDUSTRY, THE CHEMICALS INDUSTRY, THE STONE AND
EARTH'S INDUSTRY, THE WOOD AND PAPER INDUSTRY, AND
THE ELECTRICAL INDUSTRY. ALL CONCURRED THAT THE
SHORTFALL MUST BE SOLVED ON A COOPERATIVE BASIS.
IN DECEMBER, 300,000 TONS OF HEAVY HEATING OIL USED IN
THE ELECTRICAL INDUSTRY AND 130,000 TONS USED IN
OTHER TRADES AND INDUSTRY CAN BE REPLACED THROUGH
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COAL. ALL INDUSTRIAL ENTERPRISES WERE URGED TO
RATIONALIZE THEIR HEAVY HEATING OIL USE WHICH COULD
SAVE BETWEEN 3 AND 5 PERCENT. ALL INDUSTRIAL
ASSOCIATIONS WERE REQUESTED TO EXAMINE THE
POSSIBILITY OF CLOSING PRODUCTION BETWEEN CHRISTMAS
AND THE END OF THE YEAR WITHOUT A DETRIMENTAL EFFECT
ON THE ECONOMY AS A WHOLE. REPORTEDLY SOME LARGE
COMPANIES ARE SERIOUSLY CONSIDERING A HALT IN
PRODUCTION FOR 11 CONSECUTIVE DAYS. A COORDINATION
OFFICE FOR HEAVY HEATING OIL WILL TRY TO ALLEVIATE
SHORTFALLS IN SPECIFIC AREAS. THE DISCUSSIONS BETWEEN
THE MINISTRY AND THE INDUSTRIES CONCERNED WILL BE
RESUMED SHORTLY WITH SPECIAL EMPHASIS ON EXAMINING
POSSIBILITIES OF SUBSTITUTING HEAVY HEATING OIL
THROUGH GAS OR ELECTRIC POWER.

7. SOME NEWSPAPERS REPORTED THAT THE GASOLINE MARKET
IS ABOUT TO RELAX AS SHOWN IN PRICE REDUCTIONS OF UP
TO 2 PFENNIGS PER LITER. FRIDERICH'S SAID THAT THE
FILLING STATIONS HAD RECORDED TOP TURNOVER FIGURES
FOR THE PAST WEEK HOWEVER WHICH IS ALSO REFLECTED IN
STATISTICS INDICATING THAT GASOLINE TANKS OF
PASSENGER CARS ARE NOW FILLED TO 80 PERCENT OF THEIR
CAPACITY, COMPARED TO 40 PERCENT ONE YEAR AGO.
NEVERTHELESS, ONE LITER PREMIUM GASOLINE IN THE BONN
AREA STILL COSTS ABOUT 83 PFENNIGS.

8. IN SPITE OF SERIOUS URGING TO THE TRADE UNIONS
NOT TO DEMAND EXHORBITANT WAGE INCREASES IN
FORTHCOMING WAGE NEGOTIATIONS, ESPECIALLY BY
CHANCELLOR BRANDT DURING HIS GOVERNMENT DECLARATION
ON ENERGY, THE TRADE UNIONS STATED THAT THEIR
DEMANDS WILL REMAIN AT THEIR ORIGINAL LEVEL I.E.
UP TO 15 PERCENT.
HILLENBRAND

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